

A	B	C	D	E	F	G	H	I	J	K
1	Productivity Improvement Analysis - Validation					EXHIBIT 15				
2	UHC Benchmark Analysis									
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65	Sources / Notes:									
66	(1) The Almanac of Hospital Financial and Operating Indicators, Allegheny University Hospitals, Hahnemann, Volume 1, 1997, Final Edition University HealthSystem Consortium.									
67	(2) PR-DLC-160-02768.									
68	(3) FY96 Budget Book (DBR-AA-44780).									
69	(4) FY97 Budget Book (DB-CM-37-02259).									
70	(5) Reasonableness of MCP budget IP revenue % based on comparison of Hahnemann UHC reported IP revenue % compared to 1996 and 1997 budget: Hahnemann IP revenue % reported lower in UHC survey than budget, indicating MCP budget IP revenue % potentially slightly overstated; A lower MCP IP revenue % would only indicate better performance compared to benchmark than what is calculated in the above analysis, and therefore indicate a consistent finding of no improvement opportunity.									
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EXHIBIT

16

ALL-STATE LEGAL®

A	B	C	D	E	F	G	H	I
1	External Summary - Centennial Hospitals							EXHIBIT 16.1
2								
3								
4	External Market Events ⁽¹⁾	1997 ⁽²⁾	1998	1999				Total
5	Medicare BBA/BBRA	\$ -	\$ (5,214)	\$ (9,976)	\$ (15,190)			
6	Welfare Reform	\$ (133)	\$ (1,491)	\$ (1,503)	\$ (3,128)			
7	Malpractice Premiums	\$ (214)	\$ (704)	\$ (685)	\$ (1,603)			
8	Total	\$ (347)	\$ (7,409)	\$ (12,165)	\$ (19,920)			
9								
10								
11	Note:	Slight differences in totals may result due to rounding						
12								
13	(1) Summary chart includes external market impact for Centennial Graduate and Centennial City Ave. / Parkview Hospitals.							
14	(2) 1997 includes only two months of impact analysis.							

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	
1	BBA Summary - Centennial Hospitals																
2																	
3	OBJECTIVE																
4																	
5	Calculate the impact of declining Medicare reimbursement from BBA 1997 and Medicare BTRA on AHERF Medicare reimbursement and enterprise value																
6																	
7	METHODOLOGY																
8																	
9	Apply legislated reduction in Medicare IP and OP reimbursements to estimated Medicare net patient revenue to 1997 actual AHERF Medicare net patient revenue																
10																	
11	CALCULATION / RESULT SUMMARY																
12																	
13	Region:	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	AHERF-E	
14	Ob Grp.:	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG	DVOG
15	Division:	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E	AUH-E
16	Entity:	Bucks Cnty	Elkins Park	Hahnemann	MCP Hospital	St. Chris											
17	Acquired: Sold:																
18	Teaching Hospital																
19	FY 1997 total net patient revenue (\$000s)	\$ 62,184	\$ 110,765	\$ 330,098	\$ 216,079	\$ 132,824	\$ 99,673	\$ 43,33%	\$ 151,052	\$ Y							
20	FY 1997 Medicare NPR % (calc)	18.5%	16.2%	32.9%	32.6%	0.6%	43.3%	0.0%	40.3%								
21	FY 1997 Medicare NPR Baseline	\$ 11,476	\$ 17,964	\$ 108,515	\$ 70,500	\$ 736	\$ 43,145	\$ -	\$ 60,836	0.0%							
22																	
23																	
24	By Facility																
25																	
26	City Ave. / Parkview (non-teaching)																
27	Projected revenue	\$ 43,145	\$ 44,310	\$ 46,456	\$ 47,816	\$ 49,117	\$ 50,442	\$ 51,832	\$ 53,282								
28	BBA/BTRA reduction phase-in	2.7%	4.8%	2.9%	2.7%	2.7%	2.7%	2.8%	2.8%								
29	Aggregate BBA Impact	-4.6%	-8.4%	-9.6%	-11.1%	-11.1%	-12.0%	-12.0%	-12.0%								
30																	
31	Graduate (teaching)	\$ 60,836	\$ 62,478	\$ 65,505	\$ 67,421	\$ 69,257	\$ 71,125	\$ 73,085	\$ 75,130								
32	b) NPR growth:	Projected revenue	2.7%	4.8%	2.9%	2.7%	2.7%	2.7%	2.8%								
33	c) BBA 97 impact:	BBA/BTRA reduction phase-in	-5.1%	-9.2%	-10.5%	-12.1%	-12.1%	-13.2%	-13.2%								
34		Aggregate BBA Impact	\$ (3,163)	\$ (6,083)	\$ (7,075)	\$ (8,374)	\$ (9,370)	\$ (9,650)	\$ (9,886)								
35																	
36	Aggregate BBA Impact - Centennial	\$ (6,214)	\$ (9,376)	\$ (11,662)	\$ (13,802)	\$ (15,444)	\$ (15,881)	\$ (16,293)									
37	Source / Notes:																
38	"The Impact of Medicare Balanced Budget Refinement Act on Medicare Payments to Hospitals", American Hospital Association, February, 1, 2000, Report Prepared by The Lewin Group																
39	Medicare payments based on Medicare Cost Report data																
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A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Medicaid Impact, 1997 Welfare Reform - Centennial Hospitals														
1	a) Loss of Medicaid Benefits After Welfare Reform													
47	48	% not enrolled in Medicaid after Welfare Reform												
49	50	Children	26.0%											
51	52	Parents	56.0%											
53	54	Participation distribution percentage (among Medicaid participating population)												
55	56	Children	53.0%											
57	58	Parents	47.0%											
59	60	57. Loss of Medicaid (weighted average based on participation distribution percentage)												
61	62	Children	13.8%											
63	64	Parents	26.3%											
65	66	Total	40.1%											
67	68	b) Loss of Medicaid	40.1%											
69	70	Centennial												
71	72	Net impacted cases, adjusted for Loss of Medicaid												
73	74	c) Uninsured After Leaving Welfare												
75	76	Medicaid leavers' who secured private coverage												
77	78	Children	13.0%											
79	80	Parents	16.0%											
81	82	Participation distribution percentage (among Medicaid participating population)												
83	84	Children	63.0%											
85	86	Parents	47.0%											
87	88	Loss of Medicaid (weighted average based on participation distribution percentage)												
89	90	Children	6.9%											
91	92	Parents	7.1%											
93	94	Total	13.9%											
95	96	d) Not-Insured	86.1%											
97	98	Centennial												
99	100	Net impacted cases, adjusted for Not-Insured												
101	102	e) Don't seek care	6.0%											
103	104	Centennial												
105	106	Adj for avoided var cost	Total											
107	108	Var cost % Medicaid rate												
109	110	Avoided var costs												
111	112	Combined impact												
113	114													

'Health Care and Welfare: An Update of Findings from State-Level Leaver Studies', Center on Budget and Policy Priorities, by Jocelyn Guyer, August 16, 2000

'Medicaid in Pennsylvania', Peg J. Dierkers, Deputy Secretary for Medical Assistance Programs, Department of Public Welfare, 3/2000

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Our assumption is that the Medicaid rate as a percent of total cost is equal to our less than variable cost as a percent of total cost, and no additional impact would be realized.